Distr.
GENERAL

IDB.19/SR.1
28 May 1998

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Nineteenth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1998, at 10 a.m.

Temporary President: Mr. POSTA (Hungary)
President: Mr. PITTALUGA FONSECA (Uruguay)

CONTENTS

Agenda item		*Paragraphs*
1	Opening of the session	1 - 4
2	Election of officers	5 - 8
3	Adoption of the agenda	9
-	Statement by the Director-General	10 - 24
-	Organization of work	25 - 30
4	Annual report of the Director-General on the activities of the Organization in 1997	31 - 86
5	UNIDO technical cooperation activities in 1997, including operational activities for development	
6	Second Industrial Development Decade for Africa	

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.98-53943 (E) (a:\1998\pmo.2)

Distr.: 5 June 1998

CONTENTS *(continued)*

Agenda item		*Paragraphs*
7	Industrialization of the least developed countries	)
8	Field representation	)
10	Performance indicators	)

The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the nineteenth session of the Industrial Development Board.

2. He said that the year that had elapsed since his election as President of the Board had been an extraordinarily difficult and challenging one. It had seen intensive negotiations and constructive debates leading to the approval of a budget and programme reflecting the redefined priorities of the Business Plan on the Future Role and Functions of UNIDO in a new, programmatic approach. It had also seen the election of a new Director-General. The endorsement of the Board's proposals by the General Conference had provided the necessary political mandate and moral support for the new leadership to launch the process of implementation. In the face of a threat to the very existence of the Organization, the necessary reduction in the Secretariat's staff had been promptly implemented and the Director-General had announced a new organizational structure for the Secretariat based on the requirements of the Business Plan.

3. Important issues of substance had been addressed by Member States. Recommendations had been formulated on the application of performance indicators to help the policy-making organs assess the implementation of the Business Plan, and the Secretariat had done intensive work on defining the content of the package of services that UNIDO should offer Member States. The new management needed time to implement the required changes, but it also needed resources, including additional extrabudgetary funding and the continuous support of Member States. The close and continuing contacts between the Director-General and his team and Member States missions in Vienna were a very promising development and should be maintained.

4. Finally, he thanked the representatives of Member States, the Director-General and the Secretariat for their support and cooperation during his term of office.

ELECTION OF OFFICERS

5. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. F. Pittaluga Fonseca (Uruguay) for the post of President; Mr. Abubakr Salih Nur (Sudan), Mrs. Marianne von Grünigen (Switzerland) and Mr. Ahmad Nizam El-Din (Syrian Arab Republic) for the posts of Vice-President; and Mr. Ivan Kotov (Bulgaria) for the post of Rapporteur.

6. *The candidates were elected by acclamation.*

7. *The President took the Chair.*

8. **The PRESIDENT** thanked the outgoing President of the Board for the work he had so ably accomplished during his term of office. That period had led to the development of a strengthened Organization and a new programme, and the appointment of a new Director-General. UNIDO could not fail to be affected by the major changes taking place in the world, and he was confident that the new management and Organization were well equipped to meet the challenges ahead.

ADOPTION OF THE AGENDA (IDB.19/1 and Add.1)

9. *The provisional agenda (IDB.19/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

10. **Mr. MAGARIÑOS** (Director-General), said that, on taking office five months previously, he had found an Organization with an impressive record of reforms, great potential, excellent staff and a good track record in many of its programmes, but also one with insufficient focus, only lukewarm support from some of its Member States and many unutilized opportunities. He had been faced with a very challenging situation characterized by new

demands and priorities for future work, financial constraints, over-incumbency of posts requiring an immediate staff reduction programme, an organizational structure which needed to be brought into line with the Business Plan, a fragmentation of UNIDO activities, low staff morale and insecurity, and significant arrears by Member States in the payment of assessed contributions.

11. He had decided to concentrate first on solving the pressing financial and personnel issues before tackling the programmatic transformation, and had begun by adopting a set of emergency measures to bring the cash flow situation under control. The ban on new purchases, procurement and consultancy contracts with the exception of those related to technical cooperation, and the responsibility he had assumed for authorizing all official travel for a 60-day period, had generated savings of approximately half a million dollars.

12. The staff separation programme had already resulted in the abolition of 143.5 posts, the approval of 92 voluntary staff separations and the placement of staff on abolished posts against existing vacancies. That approach had obviated the need for a non-voluntary staff separation programme and had helped alleviate staff concerns and improve staff-management relations. The programme would cost at least $5.1 million less than the initial cost estimate. Because the programme had had to be accommodated within prevailing financial constraints and had thus been budget-driven, a number of staff members whose skill profile was not fully in line with programmatic requirements were still on the staff and would need to be either retrained during 1998 or separated by the end of the year. As a special interim measure, existing staff contracts had been extended only on a short-term basis, generally until the end of 1998. The principles of a significantly revised staff career development system to be introduced in the long term had been issued the previous week. The new system would ensure open and fair competition in recruitment and promotion and a rotation of staff between Headquarters and the field, and would foresee periods for maximum length of service in the Professional category.

13. He had meanwhile begun to address the critically important issue of UNIDO's decentralization by convening, in January 1998, the first global UNIDO Country Director meeting, which had generated ideas on how to optimize the interaction between UNIDO Headquarters and field representatives and how best to delegate increased authority to the field.

14. A new organizational structure had now been put into effect, ensuring: full alignment with the guidelines established in the Business Plan, through the creation of three divisions and a significantly reduced Office of the Director-General; an effective management team through appointments of all staff at Managing Director and Director level; assignment of all staff to new organizational units, with only a few areas of programme support services left for further review; the finalization of terms of reference for new organizational units with emphasis on clear lines of responsibility, accountability and performance targets; and the establishment and strengthening of the Office of Internal Oversight. The emergency measures had now been replaced by a completely new financial authorization system based on simplification of procedures, delegation of authority to middle management levels as required by the Business Plan, empowerment of staff and strong accountability mechanisms. Precise instructions concerning decentralization and delegation of authority to UNIDO's field offices had been issued and the number of Director-General's Bulletins had been reduced from 250 to 5, and of existing Committees from 110 to 5.

15. Other adjustments to the organizational structure included a unified management of the Office of the Director-General, whose Director would henceforth coordinate the activities of four small units: the Executive Office, the Office of Internal Oversight, the Governing Bodies Secretariat and the Legal Office. The Division for Sectoral Support and Environmental Sustainability now had five Branches: Cleaner Production and Environmental Management, Montreal Protocol, Kyoto Protocol, Industrial Energy-Efficiency, and Agro-Industries and Sectoral Support. On the management side, he had created an Executive Board composed of his three Managing Directors and the Director of his Office, which met twice a week. In the future, a new Board of Directors encompassing all Branch and Bureau Directors would meet twice a month.

16. Inevitably, all the adjustments had taken their toll in terms of technical cooperation delivery in 1998, with a 20 per cent reduction compared with the previous year. In view of the importance of Montreal Protocol activities in that context, he had taken action to redeploy staff from the Division of Investment Promotion and Institutional Capacity-Building to the Division of Sectoral Support and Environmental Sustainability. The traditionally lower implementation of technical cooperation activities under the regular budget in the first year of each biennium should, however, also be taken into account. He had deliberately held back implementation under the regular budget to improve the cash flow and ensure the availability of funds to finance UNIDO's new integrated packages of services.

17. With the administrative reform process nearing completion, he had consciously built up the momentum for UNIDO's programmatic transformation. Following the global UNIDO Country Director meeting in January, he had launched an in-depth programmatic discussion on the

orientation and substantive contents of key UNIDO programmes and services as the second phase of his agenda to transform UNIDO into an organization with a strong corporate identity and a synonym for effective support to industrial development. Five cross-organizational teams had been established to formulate new Organization-wide policies and strategies in key programme support areas, namely programme quality services, evaluation, funds mobilization, management information systems and research activities. He was now analysing the teams' recommendations and would soon act upon them. Specifically, he would create independent units for evaluation, programme uality and funds mobilization, which would be coordinated by his Office. He would also ensure that the integration of women in industrial development was reflected in all relevant UNIDO programmes and would appoint a focal point at Headquarters to address women in development issues.

18. In March he had launched an open discussion of UNIDO's programme areas with a special retreat for all senior staff, the intention being to make sure that the programmatic transformation was a fully participatory, bottom-up process resulting in improved performance and enhanced impact. The system of performance indicators now being developed would play an important role in assessing the effectiveness and impact of activities.

19. The programmatic retreat had been followed by a meeting in March with key investment financing experts to explore new opportunities and better define UNIDO's role in investment promotion. The memorandum of understanding concluded between UNIDO and the United Nations Conference on Trade and Development (UNCTAD), which spelt out the complementary roles of the two organizations in the field of investment promotion and of small and medium enterprise development, was a landmark agreement marking a new spirit of cooperation within the United Nations system.

20. The most important phase of programmatic transformation, launched in April, was an ongoing series of follow-up meetings to the programmatic retreat, engaging the entire Organization in defining a set of integrated packages of services. Of particular significance had been the Forum on Industrial Development in early May which had brought together high-level representatives from Member States, eminent external experts and UNIDO staff. He intended to finalize the proposals concerning the integrated packages of services towards the end of July. The integrated products would translate the Business Plan into concrete action, would respond to priority demands from recipient countries, could be meaningfully promoted vis-à-vis the donor community and would represent a radical departure from the current situation involving the fragmentation of activities among a plethora of projects with reduced impact. The steps he had taken to streamline the project portfolio had already resulted in the operational completion of 15 per cent of all ongoing projects, with another 18 per cent to be completed by the end of 1998. All ongoing projects which were not consistent with the Business Plan would be subjected to a special review to ensure that they were completed swiftly. In defining new integrated service packages he would build upon UNIDO's existing expertise. Development problems were multidimensional, and so would be the response.

21. In order to ensure the effective implementation of the integrated services, a new, horizontal corporate working culture needed to be created within UNIDO. Each integrated package of services would draw on expertise from various parts of the Organization, and their country-level application would be coordinated, with more authority than before, by the Regional Bureaux. In that context, cooperation with other United Nations organizations, the Bretton Woods institutions, bilateral agencies and the private sector was essential. With the new focused mandate under the Business Plan, overlap had been and would be further reduced, but UNIDO needed also to build strategic alliances with other actors so as to achieve synergies and maximize joint impact. The UNIDO-UNCTAD agreement set the example for similar alliances in the future.

22. UNIDO's mission was to promote sustainable industrial development in the developing countries and countries with economies in transition, which meant a development pattern based on a competitive economy, employment creation and environmental sustainability. UNIDO was well placed to assist its Members in meeting the challenges related to globalization and clean industry by advising them on appropriate industrial policies and strategies and helping in the creation of the necessary institutional capacities, the promotion of industrial investments, the creation and enforcement of industrial quality and environmental standards, the promotion of the transfer and application of clean technologies, and compliance with the provisions of international environmental conventions. The measures he had taken so far were intended ultimately to equip UNIDO better to meet the high expectations of Member States, at a time when there was a renewed sense of unity of purpose, shared values, a common agenda and combined strength within the United Nations system, with the momentum created by the reforms initiated by the Secretary-General. What UNIDO required for its transformation was a vision of the desirable path of industrial development at the turn of the millennium, a clear sense of unity and direction, emphasis on cross-organizational cooperation, a working culture and procedures that empowered staff and encouraged them to assume responsibility, a sense of continuous improvement and innovation, and an atmosphere of transparency and dialogue with Member States.

23. Africa was the developing region where the transformed UNIDO and its new services would first be put to the test. In the second half of the year, he would give priority to listening to the perceived problems and the expectations of African countries, whose economic marginalization must not be allowed to continue. He would set ambitious targets to further raise the level of UNIDO's support to Africa, and to all least developed countries, as called for in the Business Plan. In 1996-1997, only about a quarter of all UNIDO projects for Africa submitted to donors had received funding and he called upon the donor community to equip UNIDO with sufficient resources to deliver its services, particularly in Africa.

24. The Business Plan had been his guideline and point of reference in all his actions since taking office, and he was proud to announce that, within only five months, he had been able to ensure that the Business Plan had been almost fully implemented.

ORGANIZATION OF WORK

25. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum. A quorum would not be considered a requirement for starting meetings, except in the case of meetings at which decisions of a substantive nature were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which might be waived if no member of the Board objected.

26. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

27. *It was so decided.*

28. He said that Member States wishing to submit draft decisions should do so in writing and well in advance.

29. In connection with the schedule of work, it was proposed that agenda items 4, 5, 6, 7 and 10 should be considered together.

30. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1997 (IDB.19/10 and Add.1 and 2; IDB.19/CRP.7)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1997, INCLUDING OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.19/3)

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.19/5)

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.19/8)

FIELD REPRESENTATION (IDB.19/11; IDB.19/CRP.8)

PERFORMANCE INDICATORS (IDB.19/6; IDB.19/CRP.2)

31. **Mr. REGUIEG** (Algeria), speaking on behalf of the African Group, welcomed the new Director-General and assured him of Africa's support in his difficult task at the present juncture in UNIDO's history.

32. He paid tribute to the memory of Mr. Ibrahim Abdel-Rahman, the first Executive Director of UNIDO, who had died in March.

33. *At the invitation of the President, a minute of silence was observed in tribute to the memory of Mr. Abdel-Rahman.*

34. **Mr. REGUIEG** (Algeria), speaking on behalf of the African Group on agenda items 4 and 5, noted that the activities undertaken during 1997 had reflected different guidelines and thematic priorities from those adopted by the General Conference at its last session. However, every effort had been made to implement UNIDO's programmes in the different regions. Africa remained a priority for technical cooperation, commanding 37.3 per cent of activities. Ninety new projects, to a value of 21.7 million dollars, had been approved for the African region. In future, the system of performance indicators would provide Member States with all the information needed to assess UNIDO's performance both at Headquarters and in the field.

35. On item 6, he said that the African Group agreed in principle with the Secretariat's plan for the implementation of the programme of the Second Industrial Development Decade for Africa during the biennium 1998-1999, and looked forward to a speedy start on implementation in the light of the thematic priorities of the Plan of Action for the Alliance for Africa's Industrialization endorsed by the General Conference at its seventh session. He requested the Secretariat to provide detailed information about the funds allocated to African States for cleaner production from the Multilateral Montreal Protocol Fund. The African Group also emphasized the importance of convening a donors' conference in 1998 or early 1999 to obtain pledges for industrial development programmes in Africa.

36. On item 7, he said that the Group welcomed the 17.5 per cent increase in the delivery of UNIDO services and technical cooperation to the least developed countries (LDCs). UNIDO should actively pursue programmes and

projects started or approved in 1997. It should strengthen its cooperation and coordination with LDC programmes in other United Nations agencies, in the World Trade Organization and the Bretton Woods institutions, in the light of General Conference resolutions GC.6/Res.8 and GC.7/Res.4, and of the recommendations and conclusions adopted at the Fourth Ministerial Symposium on the Industrialization of LDCs, held at Vienna from 26 November to 5 December 1997. The Director-General was requested to submit a regular progress report on that agenda item to the Board's next session. He welcomed the Director-General's decision to hold every division and branch of UNIDO accountable for the quality and level of their programme delivery in Africa and the LDCs.

37. On item 10, he said that performance indicators would play a crucial role in enabling Member States to appraise the Organization's performance in regard to services and programmes and in implementing the reform process. The Secretariat should bring forward a mechanism for operating the indicators in the interests of both recipient and donor States, and the system of performance indicators should apply fairly to all the activities in the Business Plan.

38. Referring to item 8 of the agenda ("Field representation"), he said that the African Group appreciated the efforts made since the General Conference session to develop an operational mechanism for the field representation programme, and was ready to continue consultations with the Secretariat with a view to accelerating the implementation of a revitalized field operations programme. The budget for 1998-1999 was a transitional one, and the Group would like to know how the Secretariat saw the future of field representation. Coverage should be extended beyond the proposed 30 offices, and he urged all donor countries to increase their financial support for the programme, which reflected the goal of decentralization included in the Business Plan.

39. Regarding item 11 ("Timely payment of assessed contributions"), the African Group appreciated the steps taken by the Director-General to streamline operating expenditures and welcomed the fact that some Member States had paid their assessed contributions for the current year earlier than in the past. However, there was still much to be done to place the Organization on a satisfactory financial basis. The Group fully supported the report adopted by the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1). It regretted the fact that the voting rights of 68 Member States, including eight members of the Board, had been suspended and appealed to the Member States concerned to reverse that situation.

40. On item 13 ("Personnel matters, including composition of the Secretariat"), he expressed the Group's concern at the continuing under-representation of Africans at all levels of the Secretariat, particularly at the decision-making level, notwithstanding the fact that Africa was the priority region for UNIDO's activities. He urged the Secretariat to tackle the problem of unassigned staff members, most of whom came from developing countries, including African countries. The issue of gender balance at all levels of the Secretariat, especially at the D-1 and D-2 levels, must also be addressed.

41. In conclusion, he welcomed the recent move by UNIDO and UNCTAD to form a new strategic alliance to promote investment in the developing countries. The relevant memorandum of understanding signed recently by the two bodies (IDB.19/CRP.6) reflected the aims of United Nations reform and would provide a framework for joint efforts to encourage investment in the developing countries.

42. **Mr. EL-FEKI** (Egypt) welcomed the measures taken by the new Director-General to implement the Business Plan and the budget. The 1997 decisions on the Business Plan and the biennial programme and budget marked a starting point for the revitalization of the Organization, and testified to the determination of Member States to contribute to sustainable industrial development. Rapid solutions must be found to the problems raised by the reform process, so that UNIDO could take a leading place among the international organizations grappling with worldwide economic changes. The Secretariat should present an integrated plan and a clear vision for the future pattern of field representation, taking due account of the views of the Member States. The timely payment of assessed contributions was essential to the viability of the Organization. He commended the work done by the chairman of the open-ended discussion group on timely assessment of assessed contributions, and stressed that a solution must be found to the question of recovering arrears of contributions. He welcomed the proposal to introduce a system of performance indicators. The system should be simple and clear, and contain a limited number of indicators, to be introduced gradually.

43. **Mr. BOURITA** (Morocco) said that 1998 must be a year of genuine change for UNIDO. UNIDO should cease to be a centralized organization and should strengthen its presence in the field in order to be able to respond to the needs of its Member States. Its administrative units must work closely together and all staff members at all levels must be involved in developing and implementing the Organization's activities. Its services must become more coherent and more integrated. Staff morale must be boosted and motivation increased.

Budgetary resources must be adequate, predictable and durable.

44. The Annual Report of UNIDO for 1997 (IDB.19/10) showed that the rate of growth in manufacturing value added in the developing countries had been twice the world growth rate. However, a limited number of Asian developing countries accounted for that high average growth rate; the growth rate in Africa, especially in the least developed countries, was low. Those countries needed special measures, especially in the areas of technology transfer, investment promotion, environmental protection, institutional development and human resources. The transfer and adoption of appropriate technology was a key factor in enhancing the competitiveness of developing countries in a context of globalization. UNIDO should develop close cooperation with the World Intellectual Property Organization, in order to help developing countries to implement programmes for technological competitiveness and increase added value in traditional industries.

45. Certification and accreditation centres were increasingly needed in the developing countries, to secure ready access for them to the certification systems which were recognized internationally. UNIDO should become more active in developing regional or multilateral arrangements for mutual recognition of certification and accreditation. UNIDO should equip itself with the necessary expertise to help the developing countries to improve their ratings.

46. The programme of the Second Industrial Development Decade for Africa had not had the desired impact, because of the lack of clear implementation strategies and of the necessary funds. He hoped that the donors conference to be organized by UNIDO in cooperation with the African Development Bank would permit the mobilization of the funds needed to achieve the goals of the Decade. The programme of the Decade should be open to other multilateral agencies, within and outside the United Nations system.

47. Economic liberalization in the developing countries and the introduction of free trade areas required the establishment of integrated development programmes, including measures to build infrastructures, improve vocational training and strengthen professional organizations.

48. Morocco was anxious to develop cooperation with UNIDO in the organization of studies on the competitiveness of businesses. The studies would aim at identifying the strengths, weaknesses and restructuring needs of enterprises, developing plans for improving performance and evaluating the costs of upgrading.

49. The number of field offices should be increased. The 30 offices planned for 1998-1999 must be regarded only as the starting point for a more ambitious operation. There should also be greater staff mobility, and assignment to the field should be an essential element in career development. Periodic appraisals should be carried out in selected field offices to evaluate the success of the decentralization process.

50. The recent Forum on Industrial Development had highlighted the enormous range of potential activities for the Organization, as well as the continuing decrease in funds made available to it. Sustainable reforms would depend on the effective implementation of the Business Plan at Headquarters and in the field and on ability to meet the needs of sustainable industrialization.

51. **Mr. REGUIEG** (Algeria) said that UNIDO was undergoing profound change as a result of the decisions on the Business Plan. It was too early to judge the effectiveness of the new measures, but distinct progress had been achieved in management and organization, and UNIDO had also defined the key priorities of its action programme. The success of the reforms would depend largely on the skills and competence of the staff responsible for them, and in that respect his delegation had full confidence in the new Director-General.

52. With regard to the Annual Report (IDB.19/10), it related to 1997 and therefore did not cover the important developments which had occurred since the last session of the General Conference; they would, he hoped, be covered in the next report. Concerning support for Africa in the context of the Second Industrial Development Decade for Africa, his delegation supported the programming framework proposed in document IDB.19/5, and looked for speedy and full implementation of the recommendations, bearing in mind that Africa was the priority focus of the Organization's work. He noted the efforts of the Director-General to organize a conference of donors at the end of 1998 or in early 1999 to obtain pledges for industrial development programmes for Africa and for the least developed countries.

53. With regard to performance indicators, his delegation regarded them as a necessity to enable Member States to monitor the progress of the reform process, especially in the light of the programme and budget. He hoped that in future performance indicators would be applied with complete transparency to all the Organization's activities.

54. Regarding field representation, he welcomed the efforts made to draw up a field representation programme meeting the needs of the developing countries. The aim was to enable UNIDO to build effective field teams able to carry out a wide range of functions and services.

Consultation should be continued in order to finalize the scheme as presented in document IDB.19/11.

55. He noted the steps taken by the Director-General to reduce operating expenditures, and the fact that some Member States had paid their assessed contributions for the current year earlier than usual. However, there was a long road to travel before the Organization would have adequate funds to discharge its tasks. His delegation looked for early implementation of the recommendations of the open-ended discussion group. His own country had paid its arrears for 1996 and 1997, and would shortly be paying its contribution for the current year.

56. With regard to personnel matters and the composition of the Secretariat, his delegation was concerned at the under-representation of the African continent within the Secretariat. Since Africa was the priority region for UNIDO's work, it would only be right to improve geographical representation.

57. **Mr. SOKOLOV** (Russian Federation) said that Russia continued to support UNIDO as the only body within the United Nations system promoting the industrial development of the developing countries and of countries with economies in transition. The aim of the reforms must not be merely to enable the Organization to survive, but also to enhance its role within the socio-economic sector of the United Nations system. UNIDO was not alone in undergoing a reform process; the entire United Nations system was having to adjust to the new geopolitical and socio-economic realities in the world, and was seeking a new understanding of the role of international organizations and new forms of cooperation and ways of working. Thanks to the energetic efforts of the new Director-General, the Secretariat and its management had been considerably improved, and a thoroughgoing transformation of programme activities was under way. The new organizational structure of the Secretariat was a sound basis for future progress, to be achieved by competent and hardworking staff. The principle of voluntary separation had been successfully applied, and further improvement of staff quality could be hoped for.

58. The restructuring of UNIDO's programme activity had been reviewed at the recent Forum on Industrial Development. For his delegation, a key question for the future was how the revitalized UNIDO would cooperate with Russia and with other countries with transition economies. In developing the "end product" of the Organization, due account must be taken of the particular features of those countries. Russia, and most of the other countries with transition economies, possessed a developed industrial, scientific and technological base, now operating under difficult transitional conditions. Those countries were also potential donors. Even now, almost all new projects for Russia were being implemented jointly, through special-purpose extrabudgetary funds. In developing the criteria for evaluating the activities of the Organization, due heed must be paid to the needs of all users of its services, including those of countries with transition economies.

59. Now that the Organization was being revitalized, its function as a global forum must be developed. That function should include formulating industrial policy concepts, analysing experience and elaborating international norms and standards and agreements in the industrial field. Industrial information should be exchanged by means of networks and data banks, and the establishment of an institutional base for the development of market economies should be promoted at a country and regional level.

60. In the context of globalization and the challenges which it brought, it was important to develop the research and prognostic functions of UNIDO. Equipped with a strategy for world industrial development, UNIDO would be able to develop appropriate policies for implementing it through effective programme activities.

61. In the area of technical cooperation, the emphasis should be on attracting foreign investment, achieving ecologically sustainable industrial development, creating conditions for transferring clean technology, supporting small and medium-sized enterprises, and restructuring industrial enterprises in line with market demands.

62. Another important direction of UNIDO's work should be the promotion of sustainable regional development. A regional focus would correspond to UNIDO's new philosophy based on multifaceted programme activities.

63. In view of the ending of the institutional agreement between the Government of Italy and UNIDO concerning the International Centre for Science and High Technology at Trieste, his delegation would like to see a constructive dialogue between UNIDO, UNESCO and the Government of Italy aimed at defining the areas of cooperation on industrial technology in the framework of the Centre. Existing work at the Centre, including projects relating to Russia, should continue.

64. The working group on timely payment of assessed contributions had made a useful contribution to solving UNIDO's financial problems. However, his country was not in favour of sanctions against debtor Members, apart from those contemplated in UNIDO's Constitution. Efforts should continue, in the framework of constructive dialogue, to obtain arrears of contributions from countries which had left the Organization. Cooperation with the private sector and with other international organizations could become a major source of funding for UNIDO in

future, and careful consideration should be given to the idea of commercializing some types of services.

65. **Mr. FREEMAN** (United Kingdom), speaking on behalf of the European Union, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, commended the way in which the new Director-General had gone about his tasks, particularly his commitment to the objectives agreed upon by Member States and the focused and transparent way in which he was approaching them. The European Union also appreciated the Annual Report recently issued. It had worked closely with other Member States the previous year to secure a new and relevant mandate for UNIDO which would take account of development needs and UNIDO's comparative advantages. The Business Plan resulting from those negotiations was the instrument which would allow UNIDO to achieve those objectives and the reference point for judgement of UNIDO's activities. In that context, the European Union welcomed the statement made by the Director-General at the present meeting. Much had been achieved in the past six months, and UNIDO was looking over its own walls to other parts of the United Nations system with a view to reducing duplication and contributing to the system-wide process of reform. He looked forward to seeing the memorandum of understanding between UNIDO and UNCTAD become operational. It provided for the optimal use of official development aid while ensuring cost-effectiveness and avoiding duplication of effort. He hoped that the Director-General would consider launching further similar initiatives, perhaps with the private sector.

66. The European Union would follow the continuing administrative reform of UNIDO with close interest. Quality and evaluation were of great importance and he welcomed the proposed introduction of performance indicators, which he hoped would be put into effect as soon as possible. UNIDO must succeed in demonstrating its value to all Member States by providing adequate services corresponding to their respective needs. Bearing in mind the target set by the United Nations General Assembly for 50 per cent of all staff in the United Nations system to be women by the year 2000, the European Union urged the Secretariat to apply the equal opportunity principle to UNIDO staff at all levels and proposed that an experienced senior staff member be made responsible for gender issues in the Secretariat for that purpose.

67. The European Union wished to congratulate the Director-General on the way in which he had handled the difficult and sensitive task of staff separations, without compulsory redundancies. It looked forward to the satisfactory completion of the current reform process and of all the remaining budgetary issues. It was confident that staff separation financing would remain in compliance with budgetary rules and would also remain fully transparent. It would continue its dialogue with the Secretariat on the matter.

68. He had noted with satisfaction that the recent proposal on field representation assumed that an average of 30 per cent of the local costs of field offices would be met by host countries, thus contributing to the decentralization requested by Member States. The field package must be consistent with the Business Plan and financial arrangements and the geographical distribution of such offices must be realistic. The European Union would welcome further information on how field offices might participate in the United Nations Development Assistance Framework. The European Union proposed that, when assessing the criteria on which the final location of field offices should be based, the payment of contributions in full and on time be taken into account as well as good governance and the commitment of the host country to the work of UNIDO.

69. The European Union was committed to UNIDO and to the Business Plan in particular. Its member countries would continue to pay their dues and to call on others to do likewise in a timely fashion. It wanted UNIDO to be a useful and successful organization with a distinctive part to play in the United Nations family. It wanted UNIDO to have a real, demonstrable development impact

70. **Mr. BREITER** (Switzerland) welcomed the impressive changes made in the Organization under its new leadership, the transformation of the organizational structure and the new programme approach being taken in line with the Business Plan. He noted with concern that the senior level of management had become somewhat heavier than expected. But the pace of the structuring was impressive. The process was not an easy one, least of all for the staff members involved. His delegation now looked forward to the implementation of reforms on the programme side, especially the integrated packages presented by the Director-General at the present meeting, which pointed in the right direction.

71. He welcomed the efforts made to enhance cooperation with other bodies in the United Nations system, a good example of which was the recent memorandum of understanding with UNCTAD, although the agreement did not seem to be entirely compatible with the parameters of the Business Plan. The Director-General should pursue his efforts to cooperate with the private sector, and the recent Forum on Industrial Development had been promising. It might be worthwhile to seek ways and means of associating representatives of industry in the debates of the Board. UNIDO might be guided for that purpose by the approach chosen within the Organisation for Economic Cooperation and Development or the Commission on Sustainable Development. Taking into

account the severely restricted human and financial resources available, the proposed programme for field representation constituted the utmost to be expected in terms of strengthening that area. He hoped that the distribution of field offices strictly corresponded to the mix of quantitative and qualitative criteria proposed during recent consultations with Member States. The limited resources available would not easily permit additional country offices to be opened even if the host countries met the entire cost of establishing and maintaining them. It should be borne in mind that the cost of at least one Professional staff member (UCD) and operational costs at Headquarters had to be borne by the regular budget.

72. His delegation was concerned at the fact that, as of 31 March 1998, the voting rights of 68 Member States, including eight members of the Board and five members of the Programme and Budget Committee, had been suspended because of their arrears in the payment of assessed contributions. In certain cases, notably in the case of LDCs, there might be good reason for the non-payment of assessed contributions, but that did not apply to many countries. Switzerland urged those countries to fulfil their financial obligations to the Organization. In that context, it appreciated the work carried out and the useful report submitted by the open-ended discussion group on the timely payment of assessed contributions under the chairmanship of Mr. Benmoussa.

73. Finally, considering performance indicators to be an important management tool and a crucial instrument for rendering the Organization more accountable, his country welcomed both the report of the chairman of the intersessional working group (IDB.19/6) and document IDB.19/CRP.2, which met the high expectations his delegation had placed in the Secretariat's analytical and conceptual work. It hoped that the performance indicators would be applied as soon as possible.

74. **Mr. PUCCIO HUIDOBRO** (Chile), speaking on behalf of the Latin American and Caribbean Group (GRULAC), praised the efforts made by the Director-General to establish more effective cooperation between UNIDO and other international bodies, such as the World Trade Organization, the United Nations Development Programme (UNDP) and UNCTAD. GRULAC also welcomed his observance of the guidelines in the Business Plan approved by the General Conference. However, UNIDO must be provided with the tools it needed to meet the criteria of modernity, stability and efficiency and to become a global forum for promoting industrialization in all regions of the world. GRULAC had examined the proposal concerning field representation with interest. The proposal did not define the role of UNIDO in the field with sufficient clarity. Consultations should continue with a view to working out a viable formula based on the criteria of equity, flexibility, efficiency and the rational use of resources. Any such proposal should take a comprehensive approach, specifying objectives, projects and programmes and enabling the needs of all the regions to be met and their specific features to be taken into account. GRULAC hoped that the comprehensive work plan for the decentralization of activities referred to in document IDB.19/11, paragraph 9, would meet the concerns of the regional groups and be examined in consultation with Member States, in conformity with the provisions of General Conference resolution GC.7/Res.11. Innovatory proposals should be considered which would allow UNIDO to provide services to the GRULAC region to improve and strengthen its capacity for industrial management. The Group was interested in the possibility of the establishment of an information network on strategic industrial know-how, to assist the countries of the region.

75. GRULAC wished to commend the work of the chairman of the open-ended discussion group on the timely payment of assessed contributions. The Group was opposed to the application of sanctions or other measures not envisaged in UNIDO's Constitution, believing that the General Conference was the only body competent to take action in that respect.

76. With regard to document IDB.19/6 on performance indicators, GRULAC welcomed the initiative taken by the Director-General in seeking to develop a mechanism that would enable the achievements of the Organization to be evaluated so that its activities could be directed if necessary.

77. **Mr. ZHAND Yishan** (China) thanked the Director-General for his comprehensive statement on UNIDO's activities during the past few months and expressed his appreciation for the achievements he had made in reforming the Organization, strengthening its management and dealing with the thorny problem of staff separations. The Annual Report for 1997 gave a clear picture of the global and regional achievements of UNIDO during 1997, which had been no ordinary year. The withdrawal of certain Member States had led to doubts about the future existence of UNIDO within the United Nations system. Most Member States, especially the developing countries, had supported UNIDO politically and agreement had been reached on its future role and functions. UNIDO's future had been secured. The Business Plan clearly showed how it should carry out its reforms and develop its activities in the future.

78. The report on technical cooperation in 1997 had shown that a tremendous number of technical cooperation activities had been carried out from 1995 to 1997 and, following reforms, UNIDO was now more focused on

assisting the developing countries. China would continue its efforts in that respect. Even during the past difficult period, UNIDO had made great progress in technical cooperation. The dedication of its staff was clear and was closely linked with the question of field offices. Technical cooperation between China and UNIDO during 1997 had been very successful, its focal points being the Montreal Protocol, clean production, build-operate-transfer and investment promotion. China would continue its technical cooperation with UNIDO and hoped that it would be further strengthened.

79. An international centre for small hydroelectric power stations in China was now under discussion with UNIDO. A regional centre had been set up in 1979 with the assistance of UNDP, UNIDO, the Economic and Social Commission for Asia and the Pacific and the Chinese Government. It then developed very successfully, organized numerous activities and provided training for technical and management staff from Asia and the Pacific and other regions. Its main activities were training, technical advice, the exchange of information, scientific research and project contracts. China wished to use part of its Industrial Development Fund contribution to support the centre, confident that it would play an important part in promoting rural development in the developing countries.

80. **Mr. IKEDA** (Japan) said it would be appropriate for the Board to review the progress made in implementation of the Business Plan and offer guidance for its improved and further implementation. Japan considered that UNIDO had taken a significant first step in the implementation of the Plan. It noted with satisfaction that administrative reform was reaching its final stage and that measures pertaining to the restructuring of the Organization, staff reductions, new assignment of staff, delegation of authority and stringent financial control had been prepared in full accordance with the guidelines of the Business Plan and swiftly implemented. His Government commended the leadership demonstrated by the Director-General. Administrative reform would soon be completed and UNIDO should now concentrate on transforming its substantive activities in line with the Business Plan. It welcomed the Director-General's effort to build up momentum for programmatic reform and looked forward to hearing preliminary ideas on UNIDO's integrated products. Sustaining the quality of projects depended largely on how crucial information was shared between donors, recipients and the Secretariat. Japan would study the integrated products very seriously and participate actively in their preparation.

81. Programmatic reform should not be confined to a regrouping or renaming of existing projects. Bold decisions should be made on how to integrate existing projects and to formulate new ones based on the Business Plan. A new mechanism was necessary to provide an overview of the entire project life cycle in the light of the directives of the Business Plan. Much could be done with the new measures to be put into effect in the Secretariat, but Japan believed that additional measures were required to increase the responsiveness, transparency and effectiveness of projects, and therefore wished to propose the establishment of a mechanism which would allow Member States, with the Secretariat, to conduct a policy dialogue in order to ascertain which project could best contribute to the priorities set out in the Business Plan.

82. Regarding administrative reform, he congratulated the Director-General on his efforts to restructure the Secretariat. He was generally satisfied that the new organizational chart reflected the changes requested the previous year but considered it important now to improve morale and move ahead in creating a new working culture in the Secretariat. He welcomed the measures taken to promote career rotation and the development and elaboration of performance indicators. He had noted with satisfaction that the staff in the new Director-General's Office had been reduced by half and become more specifically work-oriented. While understanding that present circumstances necessitated the creation of some additional posts such as those of Special Advisers, he wondered whether their continuation on a permanent basis could be justified under the Business Plan.

83. Japan considered it important to harmonize the activities of the network of Investment Promotion Service (IPS) offices and coordinate them with the activities of field offices in developing countries. UNIDO should also consider carefully how the IPS network's ability to carry out investment promotion activities could be enhanced. Those activities were one of the pillars of UNIDO's activities. They played an important part in assisting the industrialization of the developing countries, particularly at a time when globalization was offering opportunities but also increasing risks of marginalization. Many developing countries and economies in transition deserved to benefit from UNIDO's policy advice on how to enhance their capabilities to attract direct foreign investment. Japan had carefully studied the memorandum of understanding signed recently with UNCTAD. It understood that its purpose was to eliminate duplication of activities and enhance effective collaboration and synergy between the two bodies. It took it that it would be implemented in such a way as to enhance UNIDO's ability to engage more closely in so-called "upstream" activities, as agreed in the Business Plan.

84. Activities related to environmentally sustainable development constituted another important pillar of UNIDO, which had played a leading role in implementing the ozone layer protection projects under the Montreal Protocol and was exploring further how to

implement environmentally friendly projects under other international protocols. Japan attached high priority to such environment-related technical cooperation projects and hoped that UNIDO's expertise in the area would be fully used. UNIDO should become a more effective partner for bilateral development agencies and exhibit clearly its comparative advantage to ensure complementarity in development cooperation. Japan urged UNIDO to explore further the possibilities of establishing strategic partnerships on an individual project basis between multilateral organizations and bilateral assistance sources. Such cooperation was one of the key elements to be taken into consideration when discussing reforms at project level.

85. His delegation noted that, thanks to the stringent control of cash outflow by the Director-General, the present cash position of the Organization had improved remarkably compared with the critical situation prevailing the previous year. It wished to stress the need to continue such stringent financial management and reduce costs whenever possible. The reform of UNIDO and its satisfactory performance could not be sustained without the full payment of Member States' contributions and he therefore called on all Members who owed arrears to the Organization to pay their dues without further delay. He commended the excellent work done by the open-ended discussion group on timely payment of assessed contributions. He hoped that some of the proposed solutions would contribute to stabilizing UNIDO's financial basis. For its part, Japan had paid its 1998 assessed contribution in full in March.

86. The Japanese Government was assessing the role of the new UNIDO in the light of the new development strategy. It considered that the Second Tokyo International Conference on African Development (TICAD II) to be held the coming October would provide a good opportunity for UNIDO to demonstrate its potential in the wider context of development. Africa was the region to which Japan attached special priority and it was also the region that UNIDO intended to concentrate on.

The meeting rose at 1.10 p.m.